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HEADLINE: MICROSOFT EXPLORER PICKED AS AOL'S BUILT-IN BROWSER

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BODY:

In the already drawn-out tug of war between Microsoft and Netscape, Microsoft today gave the rope a good yank, winning a key deal with America Online.

Microsoft and AOL announced that Microsoft Explorer, a "browser" used to view material on the Internet, will be the automatic, built-in browser for AOL and its 5 million customers.

The announcement seemed to contradict yesterday's report of a partnership between Netscape and AOL. But AOL said today that Netscape's Navigator browser will be provided automatically only to people who use AOL for Internet access and nothing else - that is, those who don't subscribe to AOL's exclusive content. The Internet-only service, called GNN, has a few more than 100,000 subscribers.

Navigator will still be available to AOL's 5 million subscribers, but only through downloading. Explorer will be built in - a key difference, because online subscribers usually stick with whatever built-in features they are given.

None of the companies discussed financial details of their deals. But Microsoft agreed to build access to AOL into its Windows 95 operating system - a move that could defuse concerns that Microsoft was violating antitrust laws by building its own online service, The Microsoft Network (MSN), into Windows 95.

AOL Chairman Steve Case, who has been a vocal critic of Microsoft's built-in MSN access, said Microsoft's willingness to build AOL access into Windows 95 was a key part of today's deal.

"We want to make sure consumers have a choice," he said, adding that AOL will be included within an "online services" folder on the Windows 95 desktop - still not as prominent as the one-click MSN icon but only one step removed.

Microsoft Chairman Bill Gates said the fact that the U.S. Justice Department was investigating Microsoft's built-in MSN access had nothing to do with his decision to add AOL to the operating system. The motivation, he said, related to reports that 20 percent to 30 percent of all Internet users use AOL for access, making it a great marketing partner for Explorer.



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"Our agreement with AOL is a tremendous win-win for consumers and the industry," Gates said. "Now, the two leading browsers will compete head-to-head to offer customers innovative Internet technology."

Netscape's director of marketing, Mike Homer, said the emphasis on Explorer being built into AOL was overblown.

He predicted people would choose to download Navigator because it's better. And he said AOL paid Netscape "several million dollars" to make Navigator available to its customers.

"Personally, I think all this positioning around 'built-ins' has to do with a marketing trade AOL has done with Microsoft to get onto the desktop," Homer said.

This week's jockeying is critical, as Microsoft and Netscape vie for the lead in the young market for Internet software. About 20 million to 30 million people are said to be using the Internet now, and that number is expected to grow.

Rumors alone have sent stock prices careening recently. Netscape fell more than \$ 13 last week on reports that Microsoft and AOL were talking. It rebounded \$ 6 yesterday after the Netscape-AOL deal was announced and was up \$ 1 at \$ 47.25 in late trading today.

Microsoft was trading at \$ 96, down 50 cents, late today.

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